

Message Text

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ORIGIN SCSE-00

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IRS-WTHEISE (IN SUBS)

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS PRIORITY

UNCLAS STATE 132155

INFORM CONSULS

E.O. 11652: N/A

TAGS:CFED

SUBJECT: IRS: EXTENSION OF DEADLINE FOR FILING 1976 TAX

RETURN

1. REPEATED BELOW IS AN IRS NEWS RELEASE DATED JUNE 6, 1977.

PLEASE NOTE THAT TAXPAYERS RESIDING OR TRAVELING ABROAD ON APRIL 15, 1977 HAVE NOW BEEN GRANTED ANOTHER AUTOMATIC EXTENSION OF FILING TIME. JULY 15 IS THE NEW FILING DEADLINE. POSTS SHOULD GIVE THIS RELEASE ALL APPROPRIATE PUBLICITY.

2. IRS RELEASE - THE INTERNAL REVENUE SERVICE ANNOUNCED THAT DUE TO RECENT CHANGES IN THE TAX LAW, AND THE DELAYED AVAILABILITY OF FORM 2555, EXEMPTION OF INCOME TAX EARNED ABROAD, TAXPAYERS WHO RECEIVED AN AUTOMATIC 60-DAY EXTENSION ON THEIR 1976 RETURNS WILL BE GRANTED ANOTHER AUTOMATIC EXTENSION OF TIME UNTIL JULY 15, 1977.

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THE TAX REDUCTION AND SIMPLIFICATION ACT OF 1977 HAS POSTPONED THE EFFECTIVE DATE OF THE PROVISIONS OF THE TAX REFORM ACT OF 1976 RELATING TO THE FOREIGN EARNED INCOME EXCLUSION, SO THAT THESE PROVISIONS DO NOT APPLY TO THE 1976 TAX YEAR.

THE 1977 ACT, AMONG OTHER THINGS RESTORES FOR 1976, THE

PRIOR MAXIMUM EXCLUSION OF \$20,000 OR \$25,000, DEPENDING ON THE LENGTH OF TIME THE TAXPAYER RESIDED AND WORKED ABROAD. PREVIOUSLY, THE 1976 ACT HAD REDUCED THIS EXCLUDABLE INCOME TO \$15,000, DISALLOWED THE CREDIT FOR FOREIGN TAXES IMPOSED ON THE EXCLUDED INCOME, CHANGED THE COMPUTATION OF TAX LIABILITY FOR PERSONS WHO CLAIMED THE EXCLUSION, AND PERMITTED TAXPAYERS CLAIMING THE STANDARD DEDUCTION TO CLAIM A FOREIGN TAX CREDIT.

TAXPAYERS WHO HAVE NOT YET FILED AN IMCE TAX RETURN CAN CLAIM THE INCREASED EXCLUSION BY FILING A REVISED FORM 1040. FORM 2555, MARKED WITH A 1977 REVISION DATE, IS AVAILABLE FROM IRS OFFICES LISTED IN THE INCOME TAX RETURN PACKAGES AND THROUGH U.S. EMBASSIES. IF A RETURN HAS ALREADY BEEN FILED, AND THE PROVISIONS OF THE TAX REDUCTION AND SIMPLIFICATION ACT OF 1977 AFFECT ONLY THE FORM 2555 FILED WITH THE FORM 1040 THEN THE IRS WILL ADJUST THE RETURN AND NO FORM 1040X NEED BE FILED.

IN ANY OTHER CASE, THE TAXPAYER MUST FILE A FORM 1040X, AMENDED U.S. INDIVIDUAL INCOME TAX RETURN. TAXPAYERS WHO EXCLUDED INCOME EARNED ABROAD IN 1976 WILL NOT HAVE TO REDUCE THEIR FOREIGN TAXES AVAILABLE FOR THE CREDIT ON THEIR 1976 RETURNS. ACCORDINGLY, NO ENTRY FOR THE EXCLUSION SHOULD BE MADE ON FORM 1116, SCHEDULE B, COLUMN 5, FOR TAXABLE YEARS BEGINNING BEFORE JAN. 1, 1977. WHEN FILLING OUT THIS FORM, TAXPAYERS SHOULD REMEMBER THAT THEY ARE NOT ALLOWED TO CLAIM BOTH THE FOREIGN TAX CREDIT AND THE STANDARD DEDUCTION FOR 1976. VANCE
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